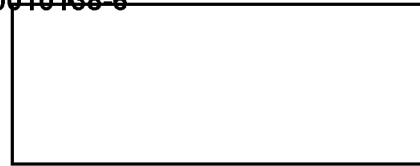


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Director of Central Intelligence

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National Intelligence Daily (Cable)

23 December 1978

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CG NIDC 78-0298C

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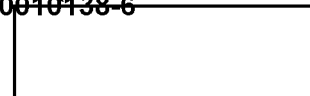
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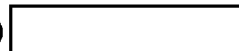
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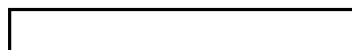
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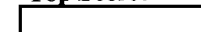
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INDIA: Political Situation

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OPEC: Reaction to Oil Pricing

Most oil consuming countries do not believe that the recent oil price increases announced for 1979 by the Organization of Petroleum Exporting Countries will put an unmanageable burden on their economies. They are disappointed, however, both with the size of the increase and the precedent-setting automatic quarterly increases.

//Japan, West Germany, France, and the UK have expressed concern over the oil price increases, but they do not expect the increases to have dramatic impact on their economies. Japanese officials, however, fear a serious impact from 1980 on.//

//West German Economic Minister Lambsdorff warned that the OPEC system of raising prices in increments threatens to usher in a policy of indexing oil prices, a development which he believes is against the interest of oil consumers and even oil producers. French Economic Minister Monory emphasized that the increases will be detrimental to the economy, but French Industry Minister Giraud and a top French energy official believe that OPEC may reconsider the later stages of the price increase. The British Foreign Office--which fears that too much complaining will hurt the dollar--has advised government leaders to moderate their public reaction to the increase.//

//Britain expects to become a net oil exporter in 1980, and North Sea oil prices are expected to follow OPEC prices. Canadian and Norwegian officials have already announced plans to hike the price of their 1979 oil exports.//

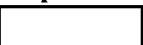
//The European Economic Community may ask OPEC to postpone oil price rises scheduled for the second half of 1979 and might also request a price freeze in 1980. EC Energy Commissioner Brunner said OPEC should have waited for the recent US economic and energy measures and the new European Monetary System to take hold. He called on Common Market countries to intensify energy conservation efforts and programs.//


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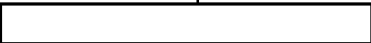
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The members of OPEC expect that the shift from an annual price increase to quarterly increments will discourage late-year buying by speculators who stock up in anticipation of price increases in January. According to an Indonesian official, OPEC will consider costs of alternative energy as well as market conditions in future pricing decisions. 


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Indonesia, while pleased with the price increases, is considering not imposing the full OPEC price increase for some customers--notably Japan. Jakarta is worried that Japan's growing appetite for Chinese crude may gradually reduce its interest in Indonesian oil. Indonesia, however, has said that it intends to push for periodic adjustments to oil prices as long as the dollar remains unstable. 

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President Perez of Venezuela bragged that the price increase was a triumph for Venezuela because of the large role he feels Venezuela plays in OPEC decision-making. 

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The USSR hailed the OPEC price move. TASS said the OPEC decision is a legitimate retaliatory reaction to the situation prevailing in the Western world. Mexico plans to raise its oil price in concert with OPEC, but has said that additional increases in 1979 will depend on world oil market conditions. 

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RHODESIA: Zambia Raid

Rhodesian air and ground forces yesterday attacked suspected camps of the Zimbabwe African People's Union deep inside Zambia, apparently in reaction to increased ZAPU guerrilla infiltration and to release Rhodesian prisoners. [REDACTED]

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A Rhodesian military spokesman had no comment on Zambian charges that a Zambian Army camp was also attacked, but Rhodesian aircraft may have accidentally hit the camp rather than intended guerrilla targets nearby. Rhodesia's policy has been to avoid contact with Zambian regular soldiers unless they intervene to defend the guerrillas, and Salisbury probably would not want to risk an escalation at this time by deliberately attacking the Zambians. [REDACTED]

25X1

Zambian military leaders have become increasingly concerned about their nation's weakness in the face of recent Rhodesian cross-border raids. If a Zambian camp were among those hit this week, they would certainly intensify their pressure on President Kaunda to improve Zambian defense capabilities. [REDACTED]

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Rhodesia says its forces suffered no casualties while carrying out a number of attacks against several known guerrilla bases. The Army reports that some 31 black Rhodesian military and civilian prisoners, held by the guerrillas, were brought safely out of Zambia. [REDACTED]

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YUGOSLAVIA: Vigilance Campaign

A coincidence of economic and domestic political problems appears to be behind a new Yugoslav party campaign for a hard line at home against Western influence and domestic dissidents. Though not intended to curb improving relations with the US, Belgrade's new talk may well entail regressions on human rights that could have a negative impact. [REDACTED]

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President Tito strongly endorsed the new hard line Thursday at Army Day festivities. He criticized ex-leaders Milovan Djilas and Mihajlo Mihajlov who he said, though once loyal revolutionaries, are now serving in a "fifth column." Tito also threatened to expose current leaders who tolerate such opposition by their silence. He promised to use severe but lawful measures "to which we are entitled." [REDACTED]

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Party officials presented a discouraging report on economic problems and the possible political fallout to a party plenum earlier this week. The report included tough denunciations of alleged plots by Yugoslav dissidents who are pushing the human rights issue. [REDACTED]

Presidium member Vladimir Bakaric painted a dreary picture of the country's declining ability to sustain investments and high growth trends. Bakaric condemned the "mania" for inefficient and luxury projects that he said continues in the country despite the declining investment resources. He stressed that in 1977 foreign loans accounted for over half of all domestic investment and argued that the country cannot sustain this trend toward a growing foreign debt. [REDACTED]

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Although Bakaric made vague proposals for belt-tightening, he left the clear impression that the party is not yet ready to force unpopular economic restraints on the country. Instead, his main emphasis was on a need for heightened political vigilance. Bakaric warned that the party should be wary of a political spillover from economic difficulties that could heighten interrepublic tensions and ethnic nationalism. He and other speakers heatedly denounced dissidents Djilas and Mihajlov for attempting to organize an anti-Communist opposition. [REDACTED]

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[redacted]

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Bakaric also said the population would soon receive evidence of the dissidents' collusion with foreign anti-Communists. Press attacks on Mihajlov later in the week inferred he might even be jailed if he returns, as he plans, from his current tour of the West. [redacted]

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Bakaric's treatment of foreign policy themes included allegations of a sharpening of international ideological conflict and "revived" anti-Communist ploys based on the human rights issue. He bitterly referred to the chill in West German - Yugoslav relations after the recent dispute over mutual failures to extradite terrorists. He said the problems resulted from a plot by reactionary forces to wreck the relationship. [redacted]

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Bakaric went on to list continuing differences with the USSR over Cuban-Soviet attempts to manipulate the nonaligned movement and over Yugoslavia's improved relations with China. He also criticized great power attempts to force tighter bloc unity--an obvious statement of support for Romania in its troubled relations with the Kremlin. [redacted]

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NAMIBIA: Assembly Resolution

The newly elected Namibian constituent assembly has followed South African Prime Minister Botha's advice that it agree in principle to a new election under UN auspices. The assembly, however, has set conditions for acceptance of a UN presence that go beyond South Africa's.

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On Thursday, Prime Minister Botha, accompanied by Foreign Minister Botha, held a closed session with the Namibian assembly to discuss the UN Security Council's transitional program for Namibia. Yesterday, the assembly reasserted Pretoria's earlier preconditions and also made new demands for changes in the transitional program that the Security Council adopted last September. Among the new demands is a call for UN troops to be placed in adjacent states as well as inside Namibia.

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Prime Minister Botha told the press that he only advised the assembly to accept a UN-sponsored election but that he agrees with the assembly's call for UN troops to monitor Namibian guerrilla activity in adjacent states. Botha also told the press that the final decision--whether to accept UN participation in a transitional program--will be made by South Africa after further consultation with the Namibian assembly.

25X1

The South African Prime Minister no doubt realizes that the Security Council is even less likely to assign UN troops to Angola or Zambia than to accept Pretoria's earlier demands for a substantial reduction in the projected UN peacekeeping force inside Namibia. He apparently intends to use the Namibian assembly's resolution as a basis for hard bargaining with UN Secretary General Waldheim while keeping open the option of accepting relatively minor modifications in the present UN plan.

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BRIEFS

Argentina-Chile

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Following Chilean and Argentine acceptance of Papal intervention in the Beagle Channel dispute, tensions have lessened considerably.

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The Pope's involvement will not necessarily resolve underlying problems, but it will provide a needed cooling-off period. Military confrontation, at least through the holiday period, is now less likely.

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A meeting yesterday of the Organization of American States--called at Chilean request--produced no action other than a consensus expression of support for the Vatican effort.

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South Korea

South Korea announced yesterday that Kim Tae-chung--President Pak Chong-hui's chief political opponent--will be among 106 government critics freed in a sweeping amnesty next week. Kim has been serving a five-year term on charges of violating Emergency Measure Nine, which prohibits criticism of the government. The amnesty is timed to coincide with the reinauguration of Pak on 27 December and will virtually clear the jails of political dissidents. It is not clear whether Pak will lift the emergency measure itself.

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In another move linked to his reinauguration, Pak yesterday shuffled his cabinet, replacing most of Seoul's top economic policymakers but retaining Prime Minister Choe Kyu-ha and Foreign Minister Pak Tong-chin.

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FEATURE ARTICLE

INDIA: Political Situation

Indian Prime Minister Desai's Janata Party will probably ride out the current storm produced by the expulsion of former Prime Minister Gandhi from Parliament on Tuesday and her brief imprisonment. Gandhi, however, is firmly on the comeback trail after her overwhelming defeat at the polls in March 1977, and the move against her has probably won her some public sympathy. The badly factionalized Janata Party faces a new challenge today when a dissident faction plans a rally in New Delhi that could set the stage for its withdrawal from the party.

If Desai had insisted on a milder penalty for Gandhi's alleged obstruction of a parliamentary investigation in 1975 of her son's questionable business dealings, he would have been charged with political cowardice by Janata hardliners. The hardliners insisted that Parliament's integrity was at stake but many of them were seeking retribution for having been jailed themselves during Gandhi's emergency rule between 1975 and 1977.

Desai and other Janata moderates argued that Gandhi's expulsion would give her the publicity she seeks and restore momentum to her comeback, which recently seemed to be flagging. The debate in the party was prolonged and at times bitter, but the final vote showed an unusual degree of Janata cohesion. This at least temporarily raised hopes among party leaders that Gandhi's resurgence may strengthen Janata rather than lead to further divisions.

Scattered pro-Gandhi demonstrations this week were easily controlled, and most of them were short-lived. Nonetheless, much of the public--particularly in the south where emergency rule was less onerous--is sympathetic to Gandhi's charge that her expulsion was an act of political vindictiveness. Public reaction may be further tested by a nationwide peaceful protest that Gandhi's supporters are trying to launch.

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[REDACTED]

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Gandhi says she will seek reelection, probably from the same backwater constituency in the south that chose her in a special byelection last month. If she does, she may well win an even more sweeping victory. [REDACTED]

25X1

Whether Gandhi returns to Parliament next year or remains out, she probably will focus on reuniting the Congress Party while trying to exploit tensions within Janata and widespread dissatisfaction with its lack-luster performance. The Congress Party, which dominated India for 30 years before its electoral defeat last year, split a year ago over the issue of Gandhi's leadership. A core of anti-Gandhi dissidents still opposes reunification, but there is no credible challenge to her role as leader of the opposition. [REDACTED]

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In any event, Gandhi will remain in the limelight. Sometime next year she could be put on trial for alleged misuse of power during her emergency rule. She is now caught up in two other legal battles--one for refusing to give evidence before the commission that investigated her actions during emergency rule and another for alleged illegal procurement of vehicles for campaign purposes when she was prime minister. [REDACTED]

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Gandhi admits that some illegalities were committed during her rule, but she places the onus on overzealous bureaucrats and security forces. She is highly defensive of her son Sanjay, who is keeping a low public profile as he faces his own court battles. [REDACTED]

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Desai's willingness to get tough with Gandhi has not placated former Home Minister Charan Singh, a brash provincial peasant leader and one of Gandhi's most strident foes. Desai fired Singh in June because of Singh's public attacks on Desai's leadership, including the Prime Minister's cautious approach toward Gandhi. Repeated attempts by party leaders to reconcile Desai and Singh have failed and the dispute between Janata's two senior figures may have reached the point of no return. [REDACTED]

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Singh's followers are going ahead with a long-planned public rally in New Delhi today--Singh's 76th birthday. The stated purpose of the rally is to press for greater economic benefits for the small landowners of northern India--the backbone of Singh's popular support. [REDACTED]

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[REDACTED]

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If the turnout is impressive, Singh may call for a break from Janata or at least threaten withdrawal. Withdrawal of Singh and his supporters would deprive the government of an absolute majority in the lower house of Parliament. Singh's faction, however, may not be ready for such a move because it realizes that this would better serve Gandhi's purposes than its own. Even if it did withdraw from Janata, Singh's group probably would vote with the government on important issues to enable it to survive its full term, which expires in 1982.

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